

VZCZCXRO7909

PP RUEHDBU RUEHDT RUEHKN RUEHLMC RUEHMJ RUEHMR RUEHPB

DE RUEHDR #1074 2131125

ZNY CCCCC ZZH

P 011125Z AUG 07

FM AMEMBASSY DAR ES SALAAM

TO RUEHC/SECSTATE WASHDC PRIORITY 6549

INFO RUCNCLM/MCC CANDIDATE COUNTRY COLLECTIVE PRIORITY

RUEHNR/AMEMBASSY NAIROBI PRIORITY 0730

C O N F I D E N T I A L DAR ES SALAAM 001074

SIPDIS

SIPDIS

DEPT FOR AF/E BYODER, AF/EPS FOR THASTINGS, AF/EB
ALSO PASS TO MCC FOR MKAVANAGH, GBREVN0V

ALSO NAIROBI FOR FCS

E.O. 12958: DECL: 07/31/2017

TAGS: ETRD ECON PGOV BEXP TZ

SUBJECT: BOEING AND AIR TANZANIA: SOMETHING FOUL AFOOT?

Classified By: Deputy Chief of Mission D. Purnell Delly for
reasons 1.4b and d.

¶1. (SBU) SUMMARY: Air Tanzania is currently planning to replace its aging fleet with newer, more efficient aircraft, and has solicited proposals from Boeing and Airbus. Post is prepared to advocate on Boeing's behalf, and is concerned that the two companies be allowed to compete on a level playing field without outside influence or corruption. Boeing's recent dealings with top officials of the airline suggest that the company's fear of outside influence might be legitimate. END SUMMARY.

¶2. (SBU) In conversations on July 13 and 20, Rob Faye, Regional Director of Sales for Boeing Commercial Airplanes, told Ambassador Retzer, DCM, and PolCouns that Air Tanzania had recently requested a proposal for the sale of new airplanes from Boeing, and Boeing had provided a proposal for five aircraft worth \$537 million at catalog prices. In the wake of the return of full ownership of Air Tanzania to the GOT in early 2006, the airline is in the process of reclaiming the operation of numerous services previously provided by South African Airways. Air Tanzania is also looking toward expanded routes and toward acquiring a newer, more efficient fleet.

¶3. (SBU) Faye stated that because Air Tanzania's current fleet of 29-year-old 737s (2 operable planes) is extremely expensive to operate and maintain, the airline needs to devise a plan to secure newer aircraft if it is to remain viable. He further explained that in addition to the sale of new aircraft, which could not be delivered until 2013, Boeing can offer Air Tanzania a phased-in plan to lease aircraft and a variety of capacity-building services (e.g., designing and operating online reservations and ticketing), and can also work with the airline to implement a multi-stage plan for growth in the next 10-20 years.

¶4. (SBU) Boeing has submitted a request for advocacy through the International Trade Administration, and Post is ready to bring to bear all tools at our disposal to advocate on Boeing's behalf. Airbus is also active in the Tanzanian market, and Post's concern is that the two companies be allowed to compete on a level playing field without outside influence or possible corruption.

¶5. (C) Faye told the DCM that he had received the unusual "suggestion" from David Mattaka, Managing Director and CEO of Air Tanzania, that he should consult with a specific Tanzanian businessman (Jitesh Ladwa, Managing Director, Indian Ocean Hotels Ltd., and owner of the Golden Tulip Hotel, Dar es Salaam) regarding Boeing's proposal to Air Tanzania, an indication that Air Tanzania officials may

intend to profit from whatever deal they conclude.

¶6. (C) COMMENT: Post notes that the Golden Tulip Hotel, which Mr. Ladwa owns, was built on a section of oceanfront property where development has otherwise been prohibited. This raises questions concerning how permission to build this hotel was secured. END COMMENT.

¶7. (SBU) On July 14, Faye met with Mustafa Salim Nyang'anyi, Chairman of the Board of Air Tanzania (and former Tanzanian Ambassador to the U.S.). Faye reports that Nyang'anyi is adamant about buying new airplanes (for reasons of both economics and personal safety), and has already made payments on several turbo prop planes to use for domestic flights to Tanzania's smaller airports. Nyang'anyi has also told Faye more than once that the GOT is prepared to guarantee financing for Air Tanzania. The latest we have heard from Faye is that Dr. Richard Kamungu, member of the board of Air Tanzania, is currently visiting Boeing's operations in Seattle, and that CEO David Mattaka has told Boeing that he intends to accept Boeing's non-binding proposal. Boeing has told us that they consider the acceptance of their proposal a sign that Air Tanzania is serious about the offer, despite its non-binding nature.

RETZER